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Money motivated Saudi middleman

By Martin Sieff
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They call him the richest man in the world, but Adnan Khashoggi's driving motivation in setting up the U.S.-Iran arms deal was to get the money monkey off his back.

"The man has serious cash flow problems," a source familiar with Mr. Khashoggi's affairs told The Washington Times. "He is looking for the big killing. For at least four years, his closest aides have begged

him to cut back on his lifestyle."

That lifestyle, in its fabled opulence, costs Mr. Khashoggi \$10 million a month, sources say.

Mr. Khashoggi's problems now focus on his Triad America Corp. in Salt Lake City. Triad stopped paying its bills last spring, and last week a lawyer for Sheraton Corp., which is seeking \$10 million owed it, described the company as "an empty shell."

Triad, a unit of Triad Group, Mr. Khashoggi's Cayman Islands holding company, now faces more than \$150 million of legal claims, including a \$61 million lawsuit brought by Travelers Insurance Co. for the failure of the \$1 billion Triad Center redevelopment project in downtown Salt Lake City.

Mr. Khashoggi began to feel the financial heat badly in April 1985 when his friend, Sudanese President Jaafar Nimieri, was overthrown. "It was a bad blow. Under Nimieri, Khashoggi had the Sudan sewn up," one source said. Mr. Khashoggi sent a \$40 million Triad loan to a company formed to develop oil in the Sudan, but that project too failed to materialize.

The new government of Prime Minister Sadiq Mahdi, which has been investigating the details of Mr. Khashoggi's operations there, was "appalled" at the extent of his transactions, according to one source.

"The Sudan was virtually Khashoggi's private property," he said.

Mr. Khashoggi had set up the enormous Jongli Canal development program to make Sudan, the largest country in Africa, the breadbasket of the Middle East.

That glittering vision collapsed as Mr. Nimieri was overthrown and Sudan was wracked by famine and civil

war between its Arab Moslem north and its black Christian south.

Like the hero in his friend Harold Robbins' novel "The Pirate," for which he was said to be the model, Mr. Khashoggi is a gambler.

The day before he flew to the south of France for an interview with ABC's Barbara Walters, Mr. Khashoggi was seen at the tables in the casinos in Las Vegas. He regularly stays in the penthouse at the Sands there, and the Sands management has allowed him to use it free of charge because of his continued patronage.

Faced with mounting bills, anxious creditors and falling income, his instinct is not to cut back but to go for another big killing.

Last year, Mr. Khashoggi tried to launch, with Jordanian and Israeli support, a "Marshall Plan" for the Middle East, using Saudi, Western European, and Japanese investment to improve economic conditions and defuse the dangers of religious and political extremism in the area. But there were no takers.

However, his negotiations refreshed Mr. Khashoggi's already excellent connections with Israel. Before Mr. Nimieri's fall in Sudan, one Middle East affairs source said, "Adnan was heavily instrumental in getting the Jews out" — a reference to Operation Moses, the secret Israeli operation to rescue some 10,000 "Beta Israel," the black Jews of Ethiopia popularly known as Falashas, from persecution and starvation.

According to the Jerusalem Post, Mr. Khashoggi had maintained direct links with Israel for years and once arranged a meeting between Israeli leader Shimon Peres and Saudi Arabian Defense Minister Prince Sultan Ibn Abdul Aziz.

The paper, citing unidentified U.S. and Israeli sources, said Mr. Khashoggi set up the meeting in the south of France when Mr. Peres, head of the Labor Party, was still opposition leader in Parliament, between 1977 and 1984.

Mr. Khashoggi told Miss Walters in an interview aired last week that he set up the deal because "I have an eye on the future. If peace between Iran and Iraq does come, rebuilding Iraq and Iran is a big thing, so I can see the profit later."

Said a former associate: "He

could see himself having a hand in the end of the Iran-Iraq war and getting in on the ground floor as the man who helped bring it about. It's quite possible he was telling [Barbara Walters] the truth when he said that he didn't collect a penny in commission [for setting up the Iran-Israel-U.S. connection], although I personally find it hard to believe, because he could see the big commissions and big killings down the road."

The Israeli newspaper Ha'aretz reported last week that Mr. Khashoggi made \$250,000 on a seven-day loan to finance the first shipment of U.S. arms to Iran. If the report is correct, Mr. Khashoggi received 25 percent per week interest on his loan, or an annual rate, not compounded, of 1,300 percent.

According to Ha'aretz, Iran paid Israel \$5 million for the shipment of 500 TOW anti-tank missiles in return for the release of American hostage Benjamin Weir in September 1985.

Although Mr. Khashoggi denied Saudi Arabia had anything to do with that deal, doubts remain.

On Nov. 26, The Washington Times reported that Lt. Col. Oliver North, who had just been fired from the National Security Council for his role in diverting proceeds from the Iran arms sales to the Nicaraguan resistance, had approached Saudi Arabian interests to pay for the arms Iran was receiving from the United States. "The Saudis paid more for the arms than it cost the United States to sell them to Iran, and the extra money was deposited into Swiss bank accounts," this newspaper reported.

On Nov. 29, The New York Times reported that "Saudi government funds were not directly used, but rather that King Fahd and others had encouraged private banks friendly to the kingdom to provide funds to Mr. Khashoggi."

One source cited a June 1986 loan to Mr. Khashoggi from the National Commercial Bank of Saudi Arabia. By this date, Mr. Khashoggi's involvement in the Iran arms deal, using his Israeli contacts, was certainly known to the Saudi leadership, which had begun extensive diplo-

matic contacts with the Iranian government.

The loan supports the view that Mr. Khashoggi, as a loyal Saudi, was acting as a "cut-out" for his government in privately undertaking a mission they approved of but was too politically sensitive to be handled directly.

It is a role he has played for the House of Saud for nearly 25 years, ever since he ran arms to anti-Egyptian resistance forces in North Yemen in 1962.

Mr. Khashoggi's business associate, Ali Bin Mussallam, who also played a major role in developing contacts with the Iranians, is another influential adviser to King Fahd.

When CIA Director William Casey met King Fahd in February 1984 on the French Riviera to solicit financial support — which the king reportedly gave — for the Nicaraguan resistance, it was aboard Mr. Khashoggi's \$50 million yacht, the Nabila, named after his daughter.

Mr. Khashoggi did not mention his National Commercial Bank loan, his relationship to Mr. Bin Mussallam, or the meeting between Mr. Casey and King Fahd to Miss Walters when he denied any Saudi government involvement or encouragement in the Iran arms deal.

However, Mr. Khashoggi did admit he was aware the other parties in the deal represented the U.S. and Iranian governments, and were not just middlemen. He confirmed that Manucher Ghorbanifar, his main Iranian contact, was not just a businessman but the head of Iranian intelligence operations in Europe.

Mr. Ghorbanifar, a former agent of SAVAK, the late shah's secret police, was "turned" by the Iranian revolutionary government, which had seized some of his relatives, and has since functioned as a mastermind in Tehran's multi-billion dollar international arms purchasing operation.

Mr. Khashoggi also told Miss Walters that the Iranian leader, the Ayatollah Ruhollah Khomeini, knew of the secret arms deal. Mr. Ghorbanifar later denied this to Miss Walters, but analysts believe Mr. Khashoggi was telling the truth.